



# ***Technical Appendix C***

## **Existing Government Financial Incentive Programs for Earthquake Retrofit**

There are a variety of local, state and federally-funded government programs which have provided, or are continuing to provide, financial incentives for owners of single family homes, mobile homes, or apartments to structurally retrofit those buildings.

The principal local government programs are:

- ◆ Santa Cruz County – Brace for the Quake Program
- ◆ City of Los Angeles – Seismic Mitigation Loan Program
- ◆ City of Oakland – Project SAFE
- ◆ City of Berkeley – Seismic Retrofitting Incentive Program
- ◆ Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations – Affordable Housing Program

In addition, there are three programs offered covering several counties in California:

- ◆ California Earthquake Authority – Residential Retrofit Program
- ◆ California Department of Insurance – Loan Program
- ◆ California Department of Insurance – Grant Program

### **Santa Cruz County – Brace for the Quake Program**

From 1992 until October 1996, Santa Cruz County reimbursed homeowners for half the cost of residential seismic retrofits, up to a maximum grant per unit of \$10,000. Funds for the program came from the Federal Emergency Management Agency's Hazard Mitigation Grant Program. Funds from this program were made available as a result of the 1989 Loma Prieta earthquake.

A total of 979 retrofit applications were approved, while 894 of those have been completed:

- ◆ 412 single family homes,
- ◆ 451 mobile homes, and
- ◆ 31 multi-unit buildings (representing a total of 331 units).

*The program started in mid-1992, almost three years after the October 1989 Loma Prieta earthquake. However, the program allowed retroactive funding. Approximately one-third of the applications were for work already completed before the program came into effect.*

(Description based on written communication from Leo Levinson, FEMA, February 4, 1998)

## **City of Los Angeles – Seismic Mitigation Loan Program**

In February 1998, the City of Los Angeles Housing Department began working with Bank of America to subsidize interest rates for retrofits. The program uses federal Community Development Block Grant funds to “buy down” interest rates by approximately 1%.

Although the City has mailed out hundreds of applications mailed to homeowners requesting them, *only 12 have been returned for funding as of January 1999*. This 2% return rate is in spite of what the City views as a “user friendly” program offering a loan approval turn-around of about 10 days.

To increase awareness of the program, the City has created a video for TV cable access channels, and is in the process of mailing out 160,000 information brochures to owners of single-family homes built prior to 1940. They hope for a 2% return rate, which would mean 3,200 loan applications.

(Description based on oral communication from David Fleischman,  
City of Los Angeles Housing Department, Special Finance Unit, January 11, 1999)

## **City of Oakland – Project SAFE**

In January 1998, the City of Oakland initiated Project SAFE (Safety and Future Empowerment). This project is a FEMA Project Impact pilot project and a collaboration between Oakland residents, business owners, and government agencies designed to reduce losses in life and property caused by natural disasters (including earthquakes, fire, and severe weather). The hazard reduction will be accomplished by providing incentives such as grants and low interest loans to eligible homeowners or businesses who agree to use the funds to make their property more resistant to natural disasters.

Homeowners may qualify for grants or low interest loans to:

- ◆ strap water heaters
- ◆ upgrade security bar releases
- ◆ upgrade downspouts, gutters and drains
- ◆ install smoke detectors
- ◆ bolt foundations
- ◆ install plywood for cripple wall bracing

Apartment building owners may qualify for low interest loans to:

- ◆ strap hot water heaters
- ◆ upgrade down spouts and drainage

- ◆ build retaining walls
- ◆ install seismic retrofit work

Businesses may qualify for low interest loans to pay for seismic retrofitting, earthquake kits, eligible equipment enhancements, and additional employee training. Small businesses may qualify for special program rebates, discounts and incentives.

***In 1998, 27 citizens of Oakland filled out applications and submitted the required documents. Of those 27, 13 homeowners met the low income criteria, and are therefore eligible for grants. The 13 are currently going through acquiring 3 bids. The remaining 14 are eligible to obtain lower interest loans*** and have been referred to Project SAFE financial institution partners (Washington Mutual and Bank of America). Sierra West Bank and Bank of America are early financial partners for any loans to businesses; they work with SBA loans. Other financial institutions are expected to become partners in the future. Finally, Project SAFE has completed nonstructural mitigation (safety latches on overhead cupboards, strapping of water heaters, strapping of large appliances and heavy furniture, smoke detectors, and education) in the residences of 225 at-risk citizens (low income, seniors and disabled) at no cost to the resident. Many Project SAFE partners have made these accomplishments a reality. The program is on-going.

(Description based on written communication from Colleen Bell and Henry Renteria, City of Oakland, February 22, 1999)

## City of Berkeley – Seismic Retrofitting Incentive Program

This incentive program is a joint effort under the departments of Planning, Housing, and Finance. It provides two economic incentives to homeowners.

First, a local ordinance waives permit fees paid to the city for seismic retrofits on non-strengthened single-family residences, multi-family residential buildings of up to four dwelling units, and unreinforced masonry structures. As shown in Table 1, below, ***between 1992 and February 1999, 4,088 projects representing \$1,078,215 in permit fees were approved without fee payment. This amount represents an overall average of \$264 per project, but approximately \$400 per project in recent years. Of the 2,088 projects since late 1996, 1,619 were for single-family homes and 469 for multi-family projects.*** The projects are fairly well distributed throughout the City. Thus, this incentive has helped low-income homeowners, and may have increased the degree to which middle- and upper-income homeowners have retrofitted. This program is on-going.

**TABLE C1 – Data on City of Berkeley Program to Waive Permit Fees**

Calendar Year	Permit Fees Waived		
	Amount	# Permits	Ave. / Property
1/92-8/96	\$229,000	2,000	\$115
9/96-12/96	\$269,059	670	\$402
1997	\$272,649	637	\$428
1998	\$267,841	684	\$392
1/99-2/99	\$39,666	97	\$409
	\$1,078,215	4,088	\$264

Second, the city has a 1.5% tax levied on property transfer transactions; up to one-third of this amount can be applied for seismic upgrades during the sale of property. Qualifying upgrades include foundation repair or replacement, mudsill repair or replacement, wall bracing in basements, foundation-to-mudsill bolting, shear wall installation, water heater anchoring, and securing of chimneys. As shown in Table 2, below, from FY 92-93 to FY 97-98, *this program returned a total of \$3,589,399 to 7,641 property owners to help pay an average of \$470 for retrofit on their properties.* (This amount also represents lost revenue for the city.) The program is also ongoing.

**TABLE C2 – Data on City of Berkeley Program to Rebate One-Third of Property Transfer Tax**

Fiscal Year	Property Taxes Rebated		
	Amount	# Properties	Ave. / Property
92-93,93-94	\$900,000	1,300	\$692
93-94	\$526,476	1,143	\$461
94-95	\$560,964	1,195	\$469
95-96	\$557,235	1,261	\$442
96-97	\$460,265	1,287	\$358
97-98	\$584,459	1,455	\$402
	\$3,589,399	7,641	\$470

(Description based on written and oral communications from Arrieta Chakos, City Manager's Office, and Joe Koontz, Planning and Development Dept, February - March, 1999)

## **California Earthquake Authority – Residential Retrofit Program**

The California Earthquake Authority is a quasi-public agency regulated as a private insurer by the California Department of Insurance, but publicly managed by a five-member Governing Board consisting of the Governor, the Treasurer, the Insurance Commissioner, the Senate President pro Tempore, and the Assembly Speaker. It is administering the ***CEA Residential Retrofit Program***. This program refers homeowners to trained professionals who will strengthen their homes to resist earthquake damage and secure their water heaters to reduce the risk of fire following an earthquake. Upon completion of the retrofit, CEA policyholders will be eligible for an insurance premium discount of 5%. Non CEA policyholders should check with their insurance agent to determine whether their earthquake insurance company offers a retrofit discount. The program is ongoing.

After calling the CEA and answering a few simple questions about their home, homeowners are referred to a pre-qualified engineering firm that will inspect their home's foundation and prepare a report showing the weaknesses that can be corrected through retrofitting. Next, homeowners are referred to a contractor who will perform the work described in the engineering report. The CEA pre-screens all contractors and only contractors which are financially secure, trained, and licensed are eligible to participate in the Residential Retrofit Program.

Finally, the CEA helps homeowners pay for the retrofit by arranging low-interest loans through participating banks.

The Residential Retrofit Program is open to California homeowners:

- ◆ Only in Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Sonoma, and Ventura counties (most counties were not added to the program until September 1999; only Santa Clara and Ventura were part of the original program in July 1998);
- ◆ Only wood-frame (or stucco over wood stud walls) homes built prior to 1979
- ◆ Only homes with a crawl space or an unbolted foundation
- ◆ Only homes without any pre-existing earthquake, water, or pest damage

You ***do not*** have to be a CEA policy-holder to participate in the program.

By making arrangements with various lending institutions, the California Earthquake Authority has made low-interest loans available to all participants who meet standard loan approval criteria. CEA Residential Retrofit Loans have an interest rate of 8.0% for non-CEA policyholders and 7.5% for CEA policyholders. The CEA and FannieMae will collaborate to provide low-interest loans. Homeowners not approved for the loan still have the option of continuing with the Program provided they make alternate financing arrangements. To date, the program has been responsible for 13 retrofits and 3 loans.

(Description based on oral and written communications from Shari Adabi, CEA  
December 1998, January 1999, and August 1999)

The only pre-qualified engineering firm operating in Santa Clara County is QuakeSAFE. The firm estimates that they have issued approximately 140 engineering reports from July 1998 when the program started until mid-January 1999. However, less than 30 of those homeowners have requested a free contractor bid. No loans have been finalized. Of the 5 homeowners who plan to retrofit, two are in the process of applying for a CEA loan, and three plan to self-finance.

(Description based on oral communications from Michael Hayes, QuakeSAFE,  
December 1998 and January 1999)

## **California Department of Insurance – Loan Program**

The California Department of Insurance, through Bank of America, is offering a low-interest retrofit program to qualified borrowers. This program can be used for:

- ◆ single family through four-plex properties
- ◆ located in Alameda, Contra Costa, Humboldt, Imperial, Los Angeles, Mendocino, Orange, Riverside, San Bernardino, San Diego, San Francisco, San Mateo, Santa Clara and Santa Cruz counties.

The program is slated to continue until July 1, 2000. A property owner DOES NOT have to live in the subject property. This program can also be used for mobile homes. The bank will charge an interest rate of 4.5%. Funds provided to property owners through this program cannot exceed:

- ◆ \$6,000 for a mobile home
- ◆ \$8,000 for a single family home
- ◆ \$10,000 for a duplex
- ◆ \$12,500 for a tri-plex
- ◆ \$15,000 for a four-plex

Eligible retrofit procedures are listed in Table 3, below.

**TABLE C3 – Eligible Procedures for California Department of Insurance Loan Program**

<b>Site-Built Homes</b>	<b>Mobile Homes</b>
1 - Brace hot water heater 2 - Brace cripple wall 3 - Anchor foundation to structure 4 - Install automatic gas shut-off valves 5 - Repair foundation (to accommodate earthquake retrofit)	1 - Brace hot water heater 2 - Anchor fuel storage (if applicable) 3 - Install "Earthquake Resistance Bracing System"

The program is ongoing. *Since the program started in July 1998, only one loan has been approved.*

(Description based on oral and written communications from Margaret Montgomery,  
March 1999)

### **California Department of Insurance – Grant Program**

The California Department of Insurance is currently offering a limited number of earthquake retrofit grants to low-to-moderate income homeowners. Grant funds can only be used for owner-occupied single family site-built *or* mobile homes. The grant program is being administered directly by the Department of Insurance.

The program has several caveats.

- ◆ The homeowners must live in selected counties and submit grant applications during a narrow time window. For example, the latest round of grants were open to homeowners in Contra Costa, San Mateo, Santa Clara, Orange, Imperial and Riverside counties for the period from November 24, 1998 through January 5, 1999.
- ◆ Grant funds cannot be used to upgrade previous Federal Emergency Management Agency (FEMA) recognized retrofitting of site-built or mobile homes.
- ◆ A site-built home has a maximum grant limit of \$8,000 and a mobile home has a maximum grant limit of \$6,000.
- ◆ Grantees must be low-to-moderate income homeowners and must have lived in the property for at least two years. Additionally, extra consideration is given to the financially neediest applicants who are on a fixed income, permanently disabled, and are 55 years old or older.

The program is ongoing. *From July 1998 through December 1998, 108 homes and mobile homes had seismic retrofit work paid for by this program, of which 6 were in Alameda County and the remainder were outside of the nine Bay Area counties.*

(Description based on oral and written communications from  
Margaret Montgomery and Walter Watson, December 1998 and February 1999)

## **ABAG Finance Authority for Nonprofit Corporations – Affordable Housing Program**

The ABAG Finance Authority For Nonprofit Corporations (the "Authority") is a Joint Powers Agency formed to help eligible nonprofits and other borrowers to gain access to tax-exempt debt financing. The Authority simplifies the debt issuance process for both the borrower and the jurisdiction in which the borrower is located by issuing conduit tax-exempt bonds or certificates of participation to finance projects with demonstrated public benefit. The Authority has financed projects on behalf of:

- ◆ hospitals;
- ◆ health care clinics;
- ◆ retirement facilities;
- ◆ nonprofit housing developers;
- ◆ multifamily housing partnerships;
- ◆ private schools;
- ◆ behavioral health care agencies;
- ◆ substance abuse facilities; and
- ◆ community service organizations.

Projects financed by the Authority have involved facility acquisition and rehabilitation, equipment acquisition, and new construction. The Authority is one of several of ABAG's financial service programs, which currently provide an aggregate of approximately \$300 million to approximately 50 projects annually. However, these programs do not have any capacity limits on either the dollar amount of an individual financing project or the number of projects financed.

The Authority is managed by ABAG for member jurisdictions *throughout the State of California* and will only issue debt for projects located in those member jurisdictions. Any local jurisdiction in the state may become a member. Proposed projects must have the support of the member jurisdiction in which they are located.

One program of the Authority provides tax-exempt financing for the acquisition, construction and rehabilitation of multifamily and senior housing, to California 501 (c)(3) nonprofit housing developers, partnerships and for-profit entities with public benefit projects (such as affordable housing). Consistent with ABAG's long standing commitment to policy supporting affordable housing, the primary goals for this program are to provide low-cost financing for smaller urban projects and an efficient competitive lending vehicle for larger developments.

In March 1999, the Authority issued \$23 million in Revenue Certificates of Participation for Channing House, a nonprofit corporation which owns an 11-story building in Palo Alto, California. The building contains 232 Residential Care Facilities for the Elderly (RCFE) apartment units and seven rooms for skilled nursing services with 21 beds. The 232 RCFE units consist of 32 assisted-living units, 98 studio units, 89 one-bedroom units, and 12 two-bedroom units. By going through the Authority, the interest rate was only 5.25%. The funds are being spent for seismic strengthening of the building, as well as for installation of an additional freight elevator. The seismic retrofit designed by Rinne-Peterson involves putting the building on seismic isolators that reduce the earthquake forces transmitted up into the building. This retrofit design was chosen to minimize the construction disruption to the elderly occupants of the building.

(Description from Clarke Howatt, Financial Services Director,  
Association of Bay Area Governments, August 1999)